



December 2019

Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss Rebooting for Retirement what you should do to prepare and are you up to date on the latest Superannuation Changes and also High Times for Low Interest Rates, possibly aiming to make a dent on that home loan?

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime we hope you enjoy the read.

We wish all our clients and their families a fantastic Christmas and New Year!!

The office will be closed from 20th December and reopen on 13th January 2020. If you require to contact us leave a message on the office phone as it will be checked daily and someone will return your call within 24 hours.

All the best,
Sterling Advice



Sterling Advice

7B / 35 Seaside Blvd Marcoola QLD 4564
PO Box 116 Coolum Beach QLD 4573

P 07 5446 3186

E kane@sterlingadvice.com.au

W www.sterlingadvice.com.au

Facebook SterlingAdvice

Twitter dalley_kane



Rebooting for retirement

As retirement comes into view, it's time to imagine a new you for the post-work age.

You remember your first day at school, your first job, your first home. And now your final pay check is in sight. That's quite an achievement.

As with other big life events, retirement triggers choices that shape your future. It's time to take stock and reboot your life. It makes sense to make sure you're ready when the time comes so you can minimise surprises and maximise your new free time.

For instance, if you're downsizing your house or vehicle, you might consider how shedding assets and acquiring new ones affect your tax position before you retire.

Having your finances in order is important, but there's more than money to enjoying the fruits of your new phase of life.

Here are five ways you can make sure retirement's a milestone not a millstone.

1. Think mind and body

Without a clear idea of how you'll spend your time, the initial euphoria of the untouched morning alarm can give way to anything from boredom to panic. Most of your 24 hours may be unstructured, so figure out how you'll spend it wisely.

You might try something new. Perhaps now is the time to keep bees, join a choir or learn archery. If you have a partner,

remember to involve them in the planning. Even if they don't fancy joining you on a skydive, they may see a chance to learn how to take better action pictures.

Travel is near the top of many wish lists in retirement. If you don't have the funds for a Caribbean cruise, there are a host of cheaper options around Australia and even beyond. And now you'll have more time to spend, without worrying about annual leave quotas, or who'll look after your business while you're away.

2. Have a purpose

A rest is as good as a change. Although it's great to have unstructured time to think and dream, boredom can be a damaging state of mind, particularly if it's prolonged.

If you're already physically active, this can be a great time to extend yourself, embrace something new like yoga, or aqua aerobics. If you're healthy but know you could improve, you might sign up for a sponsored cycle ride or walk to help a cause you care about.

3. Catch up on what you've missed

Many of us put off expanding our passions while we're working because we don't have time.

If you've always wanted to read the classics, now might be your chance to explore the jewels of world literature. Reading is brain expanding and inexpensive. Books older than 70 years

from the death of the author are out of copyright and therefore cheap in print or even free on your Kindle.

4. Follow your heart, not the herd

Many people downsize coming up to retirement. A smaller property usually means lower utility bills and maintenance.

But it's not for everyone. If your spare bedroom has the right natural light for your artist's studio or you just love your lemon trees, you might be better off staying where you are and saving yourself the real estate fees and hassles.

You're facing a change in life, but you don't have to change for change's sake. Put yourself and your loved ones first.

5. Listen to the voice of experience

As with so many things in life, you can learn from experts. Talk to people you know who have already retired, and see what worked for them, and what they wish they'd put in place before they took the plunge.

Consider what will make you happy in the years beyond work, so you can live the life you want.

Finally, if you haven't yet given these things serious thought yet, don't panic. You've dealt with other changes in your life, this is just another one.

Think of it as a new adventure. Let's face it, you've earned it.



Superannuation changes

Learn more about the latest super reforms and what they could mean for you.

Putting Members' Interests First legislation

Putting Members' Interests First (PMIF) law was passed in September 2019. It aims to prevent certain people being charged for insurance inside their super that they may not need.

The PMIF law affects:

- members with a super balance under \$6,000
- new members aged under 25

People with a super balance under \$6,000

Under the new PMIF laws, super providers will check the balance of all super accounts with insurance on 1 November 2019.

Where an account balance is below \$6,000 (and no exemptions apply), the super fund must let the member know their insurance will be cancelled, unless:

- the balance reaches \$6,000 before 1 April 2020, or
- the member requests to keep their insurance.

People under 25

From 1 April 2020, super funds must not provide insurance inside super to new members aged under 25 – unless the member requests it.

Heard from your super fund about having your insurance cancelled already?

You may have been contacted about your insurance being cancelled because of government changes under Protecting Your Super (PYS) law. PYS involves cancelling insurance for inactive accounts, whereas PMIF involves cancelling insurance for low balance accounts and young members.

Protecting Your Super legislation

Effective from 1 July 2019

The Protecting Your Super (PYS) Package aims to protect super balances becoming diminished by fees and insurance premiums in inactive super accounts.

The PYS laws are different to the Putting Members' Interests First changes. PMIF laws focus on super account balances below \$6000 and people aged under 25 (see details above).

There are four main areas of the PYS legislation:

1. Insurance cancelled for inactive super accounts

Super providers must cancel the insurance inside inactive super accounts. Generally, an account becomes inactive if it hasn't received a contribution or rollover in the previous 16 months. Before cancelling, affected members must be told their insurance may be cancelled and given the opportunity to keep it.

Members can stop their insurance being cancelled by:

- letting their super provider know they'd like to keep it, or
- making a super contribution or rollover (of any amount) into the inactive account.

Making regular contributions can prevent an account becoming inactive in the future.

2. Inactive super accounts with low balances will be closed

Many inactive accounts with a balance below \$6,000 will be closed, and the balance transferred to the Australian Tax Office. Where possible, the ATO will then connect this super money with an active account for each member.

Exceptions apply, including if you have insurance or you ask for your account not to be sent to the ATO.

3. Cap on fees for accounts with low balances

Fees are capped at 3% p.a. for accounts with balances under \$6,000 as at 30 June of each year.

If an account with less than \$6,000 is closed before 30 June, the 3% cap applies on a pro-rata basis.

4. Switch funds without paying an exit fee

Exit fees are banned. Everyone can now switch their super between different providers without paying a fee.

Exit fees also won't apply where money is withdrawn, and the account closed.

Is it time to check your super?

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High times for low interest rates

With mortgage rates at their lowest since the days of black and white TV, this might be the right time to make a serious dent in your home loan.

Lower rates mean any money you have in the bank could be earning less interest. But if you have a variable home loan rate and your lender passes on the cut, you'll pay off more of your loan faster just by keeping your payments the same.

Upping your payments means you can really take advantage of lower rates, saving time and money on your mortgage.

Adding an extra \$50 a week can chop \$50,000 from a loan of \$400,000 – and pay off the loan four years earlier.

When fifty bucks seems a lot

If fifty bucks sounds like a lot, even twenty can make a dent in your repayments over time, as long as interest rates stay low.

That's around one cup of coffee a day in a working week.

Because interest on home loans is calculated daily, even chipping in small amounts can make a big difference over time.

The following table shows how an extra \$20 a week on a \$300,000 loan takes over two years and \$20,000 off. Further up the scale, an extra \$100 a week slices off over three years and the best part of \$100,000 over the life of the loan.

Of course, we're all different. Whether you're willing or even able to make extra repayments depends on your circumstances.

Good times, bad times

Depending on your situation and financial goals, a cut in interest rates may not be all good news.

If you have a fixed rate, your mortgage payments are unaffected by the interest rate cut.

If you're unsure whether your loan is fixed or variable, now is a good time to check. If you're on a fixed rate, you might talk to an expert to find out if there's a better deal out there, or whether switching to a variable rate might work for you.

IMPACT OF EXTRA MORTGAGE REPAYMENTS

Loan size	Loan size	Loan size
\$300,000	\$500,000	\$1,000,000
Additional payment (per week) \$20	Additional payment (per week) \$20	Additional payment (per week) \$20
Pay off your loan 2yrs & 4mnths faster	Pay off your loan 1yr & 5mnths faster	Pay off your loan 9mnths faster
SAVE \$20,671 in interest over life of loan	SAVE \$21,666 in interest over life of loan	SAVE \$22,480 in interest over life of loan
or	or	or
Additional payment (per week) \$50	Additional payment (per week) \$50	Additional payment (per week) \$50
Pay off your loan 5yrs & 1 mnth faster	Pay off your loan 3yrs & 4mnths faster	Pay off your loan 1yr & 9mnths faster
SAVE \$44,150 in interest over life of loan	SAVE \$48,887 in interest over life of loan	SAVE \$53,203 in interest over life of loan
or	or	or
Additional payment (per week) \$100	Additional payment (per week) \$100	Additional payment (per week) \$100
Pay off your loan 8yrs & 5mnths faster	Pay off your loan 5yrs & 10mnths faster	Pay off your loan 3yrs & 4mnths faster
SAVE \$71,236 in interest over life of loan	SAVE \$84,242 in interest over life of loan	SAVE \$97,774 in interest over life of loan

Source: AMP Bank. Calculation assumes the customer is five years into a 30-year home loan on an average owner-occupier discounted variable rate of 4.68% as per RBA Lending Rates, May 2019. Calculation does not account for future variations in interest rates or include fees. The information should be used as a guide only. Individuals should consider their personal circumstances and consult professional financial advice where appropriate.

Other things you could do

There's more to low interest rates than your mortgage.

For instance, you might instead choose to pay down bad debts such as your credit cards. Or use the money that you save on repayments to invest elsewhere to help grow your wealth.

This could involve alternatives to cash such as buying shares or property. These carry their own pros and cons, so it's a good idea to get advice so you understand the risks involved, and whether they are right for you.

It all depends on your situation and financial goals. We can help you decide the best way to make the most of low interest rates.

First published 25 August 2019